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SUBJECT: MOZAMBIQUE - VISITING CORPORATE COUNCIL ON
AFRICA (CCA) PRESIDENT PLEDGES TO PROMOTE U.S. TRADE
AND INVESTMENT

1. SUMMARY. On November 10-11, a high-level Corporate Council on Africa (CCA) delegation visited Mozambique to learn about possibilities for U.S. investment. The delegation met with a senior GRM official and several local businesspeople to get a flavor for the most promising investment areas. CCA and the U.S. Mission plan to work closely together to encourage more U.S. trade and investment in Mozambique. CCA will begin this effort by raising Mozambique's profile in the U.S. as an investment destination and by leveraging an expected early visit to the U.S. by the winner of Mozambique's December 2004 presidential election. The Mission and CCA have set as a goal attracting one or two new U.S. firms to invest and succeed in Mozambique in 2005. END SUMMARY.

A TASTE OF DOING BUSINESS IN MOZAMBIQUE

2. On November 10 and 11, Stephen Hayes, President of CCA, and Tim McCoy, Director of Overseas Programs, CCA, visited Mozambique on a fact-finding mission to learn about investment opportunities and meet key contacts in the government and business community. This was CCA's first visit to Mozambique since the mid-1990's.

3. On November 10, the CCA delegation, accompanied by the Ambassador, USAID Deputy Director, USAID enabling environment team leader and econ/poloff visited the city of Beira, the country's second largest. The delegation sounded out several private sector leaders on investment opportunities and obstacles, and how the GRM and the business community are working together to improve the current business climate. The business leaders represented included the heads of two central region business associations as well as the presidents of several local companies: Mobeira - a flour mill owned by the U.S. firm Seaboard Corporation, Belita - a Mauritian-owned and operated garment factory exporting to the U.S. under AGOA, Delta Trading, and TCT Forestry. The businessmen identified as areas of opportunity for U.S. investment tourism, agriculture and agro-processing, seafood (primarily prawns and lobster), energy, and timber processing. Asked about the lack of participation by Mozambican firms in the U.S. market, they replied that firms are afraid to participate in the U.S. market due to its enormous market size and consequent large-scale demand for goods (COMMENT: Mozambique faces serious supply constraints when operating in the global economy, including limited production capacity, lack of skilled labor, poor infrastructure, and lack of access to finance. END COMMENT).

4. While in Beira, the delegation visited Belita, the only garment factory in Mozambique exporting to the U.S. under AGOA. Belita exports sweatshirts, t-shirts, and polo shirts to Vanity Fair, Chaps, FUBU, and Lee. Sales from January to October 2004 totaled approximately USD 1.4 million, and are expected to reach USD 2.2 million by the end of the year. Belita buys almost all of its primary material (fabric, labels, zippers) outside of Mozambique. Belita's parent company, the Palmar Group, located in Mauritius, handles all marketing, communication, and logistics for the sale of Mozambican-produced garments. In January 2005, Belita expects to open a jeans-production plant in Maputo. Belita will source all denim from Southern Africa. Over 1,000 staff will be employed and AGOA sales to the U.S. are expected to increase.

5. The CCA delegation took the occasion to visit Beira port, one of the three busiest ports in the country. The port director of operations noted that port activity has decreased 20 percent due to the Zimbabwean economic crisis (COMMENT: The Beira Corridor is an

important trade route for goods moving in and out of Zimbabwe. END COMMENT). Mozambique's principal exports through Beira are sugar, cotton, timber, and prawns.

16. On November 11, in Maputo, the delegation met with the Minister of Industry and Commerce, Carlos Morgado. Morgado told them that he would like to see one American firm invest successfully in Mozambique in the near future, paving the way for others to follow suit. (COMMENT: In 2003 Morgado explored an opportunity for American Axle to buy Mozambican-made axles. This would mean a purchase commitment with Mozambique's largest revenue-producing firm, Mozal, which has been extremely successful in smelting aluminum for aluminum ingot export. However, following Morgado's 2003 visit to Detroit, American Axle's management changed and since then nothing substantive has arisen from the idea. END COMMENT). Morgado suggested that if CCA were to adopt Mozambique as a "focal point" and sell Mozambique as an attractive investment destination, he would guarantee a strong GRM commitment to a creating a successful business relationship between U.S. companies and Mozambican partners. CCA President Hayes expressed his view that the key is to get one or two carefully identified small businesses interested in Mozambique, establish partnerships accordingly, and create small wins in the trade relationship.

17. Morgado advocated partnerships involving timber and/or sugar processing and processing of jams or concentrates. He said he strongly believed that U.S. companies can bring value and innovation to Mozambican products. Hayes committed to sending a follow-up CCA team to Mozambique in 2005. He added that CCA would be looking for ways to market Mozambique in the U.S., and that he hoped CCA could identify and send one or two U.S. businesses to Mozambique to explore specific opportunities. Longer term, he hoped CCA would be able to produce an investment guide on Mozambique. As part of the discussion, Hayes asked Morgado the status of the U.S. - Mozambique Bilateral Investment Treaty (BIT). Morgado stated that he would request that the PM allow the treaty to circulate through the Council of Ministers on November 15 (COMMENT: Post understands that the treaty has circulated through the Council of Ministers and will be sent to the PM for signature and approval on November 23. This date is critical, as Mozambican general elections are scheduled for December 1-2. END COMMENT).

18. Also noteworthy, the CCA delegation met with officials and members of the Confederation of Mozambican Business Associations (CTA), a group working to improve the business climate in Mozambique. CTA representatives emphasized that the time is right to create linkages and business relationships between Mozambique and the U.S. They acknowledged that Mozambique would need more outside advice and training to take better advantage of AGOA. In the afternoon, the delegation met with U.S. firms operating in Mozambique - including Coca-Cola, KPMG, PriceWaterhouseCoopers, Caterpillar, Mobil, and Colgate-Palmolive.

----- PRESS COVERAGE -----

19. The CCA visit generated substantial and positive press coverage. A press conference given by Hayes prompted stories on STV Mozambique (a private television station, which interviewed Hayes), Radio Mozambique (the official radio network with nationwide reach), and several daily and weekly publications. The stories stressed Hayes' commitment to bringing more U.S. investment to Mozambique - especially in the areas of tourism, seafood, agriculture/agro processing, and transportation. Local press noted that trade between the U.S. and Mozambique is very small; only USD 8 million in Mozambican exports went to the U.S. in 2003. Hayes admitted that businesspeople in the U.S. remain uninformed about investing in Mozambique, but made a commitment to increasing awareness of Mozambique's investment potential among the U.S. business community (CCA members particularly).

----- ANTICIPATED OUTCOMES -----

10. Following a productive visit, the Ambassador and CCA President Hayes agreed on ways to strengthen the U.S. - Mozambican trade relationship. To raise Mozambique's profile in the U.S. as an investment destination, the CCA will feature Mozambique in an upcoming issue of its publication, The Africa Journal. With a new Mozambican president in place after the December general elections, the Mission will encourage an early visit to the United States, where he will be

able to meet with key CCA members and a business audience regarding specific opportunities for investment in Mozambique. This visit may coincide with the annual CCA summit that will take place in June 2005. Another possibility would be a planned Millennium Challenge Corporation (MCC) dinner. Hayes promised the CCA would reach out to its membership and beyond regarding opportunities uncovered in the Mozambique visit (sugar, irrigation, and construction, in particular). Finally, a follow-up CCA team will visit Mozambique on a thorough fact-finding mission in 2005. As stated by Hayes to the Minister of Industry and Commerce, CCA's goal is to "attract one or two investors to Mozambique in 2005". All sides agreed that building the trade relationship should begin with small steps. One or two American successful investors in Mozambique in the next year would set a positive precedent for future cooperation.

LA LIME